

1 AN ACT in relation to insurance.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Insurance Code is amended by
5 changing Section 424 as follows:

6 (215 ILCS 5/424) (from Ch. 73, par. 1031)

7 Sec. 424. Unfair methods of competition and unfair or
8 deceptive acts or practices defined. The following are
9 hereby defined as unfair methods of competition and unfair
10 and deceptive acts or practices in the business of insurance:

11 (1) The commission by any person of any one or more of
12 the acts defined or prohibited by Sections 134, 143.24c, 147,
13 148, 149, 151, 155.22, 155.22a, 236, 237, 364, and 469 of
14 this Code.

15 (2) Entering into any agreement to commit, or by any
16 concerted action committing, any act of boycott, coercion or
17 intimidation resulting in or tending to result in
18 unreasonable restraint of, or monopoly in, the business of
19 insurance.

20 (3) Making or permitting, in the case of insurance of
21 the types enumerated in Classes 1, 2, and 3 of Section 4, any
22 unfair discrimination between individuals or risks of the
23 same class or of essentially the same hazard and expense
24 element because of the race, color, religion, or national
25 origin of such insurance risks or applicants. The
26 application of this Article to the types of insurance
27 enumerated in Class 1 of Section 4 shall in no way limit,
28 reduce, or impair the protections and remedies already
29 provided for by Sections 236 and 364 of this Code or any
30 other provision of this Code.

31 (4) Engaging in any of the acts or practices defined in

1 or prohibited by Sections 154.5 through 154.8 of this Code.

2 (5) Making or charging any rate for insurance against
3 losses arising from the use or ownership of a motor vehicle
4 which requires a higher premium of any person by reason of
5 his physical handicap, race, color, religion, or national
6 origin.

7 (6) Selling insurance coverage within an individual
8 market after notice of withdrawal from that market has been
9 given if that coverage was among the types of coverage for
10 which notice of withdrawal was given.

11 (7) Withdrawing from an individual market within 240
12 days of selling insurance coverage in that market.

13 (Source: P.A. 92-399, eff. 8-16-01; 92-651, eff. 7-11-02;
14 92-669, eff. 1-1-03.)

15 Section 10. The Illinois Health Insurance Portability
16 and Accountability Act is amended by changing Section 50 as
17 follows:

18 (215 ILCS 97/50)

19 Sec. 50. Guaranteed renewability of individual health
20 insurance coverage.

21 (A) In general. Except as provided in this Section, a
22 health insurance issuer that provides individual health
23 insurance coverage to an individual shall renew or continue
24 in force such coverage at the option of the individual.

25 (B) General exceptions. A health insurance issuer may
26 nonrenew or discontinue health insurance coverage of an
27 individual in the individual market based only on one or more
28 of the following:

29 (1) Nonpayment of premiums. The individual has
30 failed to pay premiums or contributions in accordance
31 with the terms of the health insurance coverage or the
32 issuer has not received timely premium payments.

1 (2) Fraud. The individual has performed an act or
2 practice that constitutes fraud or made an intentional
3 misrepresentation of material fact under the terms of the
4 coverage.

5 (3) Termination of plan. The issuer is ceasing to
6 offer coverage in the individual market in accordance
7 with subsection (C) of this Section and applicable
8 Illinois law.

9 (4) Movement outside the service area. In the case
10 of a health insurance issuer that offers health insurance
11 coverage in the market through a network plan, the
12 individual no longer resides, lives, or works in the
13 service area (or in an area for which the issuer is
14 authorized to do business), but only if such coverage is
15 terminated under this paragraph uniformly without regard
16 to any health status-related factor of covered
17 individuals.

18 (5) Association membership ceases. In the case of
19 health insurance coverage that is made available in the
20 individual market only through one or more bona fide
21 associations, the membership of the individual in the
22 association (on the basis of which the coverage is
23 provided) ceases, but only if such coverage is terminated
24 under this paragraph uniformly without regard to any
25 health status-related factor of covered individuals.

26 (C) Requirements for uniform termination of coverage.

27 (1) Particular type of coverage not offered. In
28 any case in which an issuer decides to discontinue
29 offering a particular type of health insurance coverage
30 offered in the individual market, coverage of such type
31 may be discontinued by the issuer only if:

32 (a) the issuer provides notice to each covered
33 individual provided coverage of this type in such
34 market of such discontinuation at least 90 days

1 prior to the date of the discontinuation of such
2 coverage;

3 (b) the issuer offers, to each individual in
4 the individual market provided coverage of this
5 type, the option to purchase any other individual
6 health insurance coverage currently being offered by
7 the issuer for individuals in such market; and

8 (c) in exercising the option to discontinue
9 coverage of that type and in offering the option of
10 coverage under subparagraph (b), the issuer acts
11 uniformly without regard to any health
12 status-related factor of enrolled individuals or
13 individuals who may become eligible for such
14 coverage.

15 (2) Discontinuance of all coverage.

16 (a) In general. Subject to subparagraph (c),
17 in any case in which a health insurance issuer
18 elects to discontinue offering all health insurance
19 coverage in the individual market in Illinois,
20 health insurance coverage may be discontinued by the
21 issuer only if:

22 (i) the issuer provides notice to the
23 Director and to each individual of the
24 discontinuation at least 180 days prior to the
25 date of the expiration of such coverage; and

26 (ii) all health insurance issued or
27 delivered for issuance in Illinois in such
28 market is discontinued and coverage under such
29 health insurance coverage in such market is not
30 renewed.

31 (a-5) A health insurance issuer may not
32 discontinue offering health insurance coverage in an
33 individual market in Illinois if another health
34 insurance issuer in the same family of companies

1 continues selling health insurance in that market.
2 Any health insurance issuer that discontinued
3 coverage after January 1, 2001, in such a way as to
4 not comply with this subparagraph (a-5) shall
5 reunderwrite all policyholders affected by that
6 discontinuation under terms and conditions identical
7 to those enjoyed by the affected policyholders
8 immediately prior to their policies'
9 discontinuation. The terms and conditions include,
10 but are not limited to, any fees and deductible
11 amounts. To be reunderwritten under these terms and
12 conditions, affected policyholders must notify the
13 relevant insurance issuer in writing by January 1,
14 2005, of their desire to be reunderwritten.

15 (b) Prohibition on market reentry. In the
16 case of a discontinuation under subparagraph (a) in
17 the individual market, the issuer may not provide
18 for the issuance of any health insurance coverage in
19 Illinois involved during the 5-year period beginning
20 on the date of the discontinuation of the last
21 health insurance coverage not so renewed.

22 (D) Exception for uniform modification of coverage. At
23 the time of coverage renewal, a health insurance issuer may
24 modify the health insurance coverage for a policy form
25 offered to individuals in the individual market so long as
26 the modification is consistent with Illinois law and
27 effective on a uniform basis among all individuals with that
28 policy form. A modification of coverage by a health
29 insurance issuer is not uniform if another health insurance
30 issuer in the same family of companies does not make the same
31 modification of coverage. Any health insurance issuer that
32 modified coverage after January 1, 2001, in such a way as to
33 not comply with this paragraph (D) shall reunderwrite all
34 policyholders affected by that discontinuation under terms

1 and conditions identical to those enjoyed by the affected
2 policyholders immediately prior to their policies
3 modification. The terms and conditions include, but are not
4 limited to, any fees and deductible amounts. To be
5 reunderwritten under these terms and conditions, affected
6 policyholders must notify the relevant insurance issuer in
7 writing by January 1, 2005.

8 (E) Application to coverage offered only through
9 associations. In applying this Section in the case of health
10 insurance coverage that is made available by a health
11 insurance issuer in the individual market to individuals only
12 through one or more associations, a reference to an
13 "individual" is deemed to include a reference to such an
14 association (of which the individual is a member).

15 (F) For the purpose of this Section:

16 "Family of companies" means a business entity consisting
17 of a parent company and any subsidiaries in which the parent
18 company holds a 50% or greater ownership stake.

19 "Parent company" means a company identified by an
20 employer identification number that holds a 50% or greater
21 ownership stake in one or more other companies.

22 "Subsidiary" means an insurance issuer licensed to do
23 business in the State of Illinois and in which another
24 company holds a 50% or greater ownership stake.

25 (Source: P.A. 90-567, eff. 1-23-98.)